MARKET INSIGHTS:
NEW DEVELOPMENTS, WHAT TO CONSIDER, AND TOP QUESTIONS ANSWERED

Fidelity INVESTMENTS

Our Speakers

Host

Jim Armstrong
Marketing Director, Fidelity Investments
Jim Armstrong is a Marketing Director in Fidelity's Personal Investing division. In this position, he creates educational content for workplace participants to help with retirement planning and other financial wellness topics. Formerly, Jim distinguished himself as an Emmy-winning journalist, spending 17 years as a television reporter for network affiliates around the country.

Special guest panelists

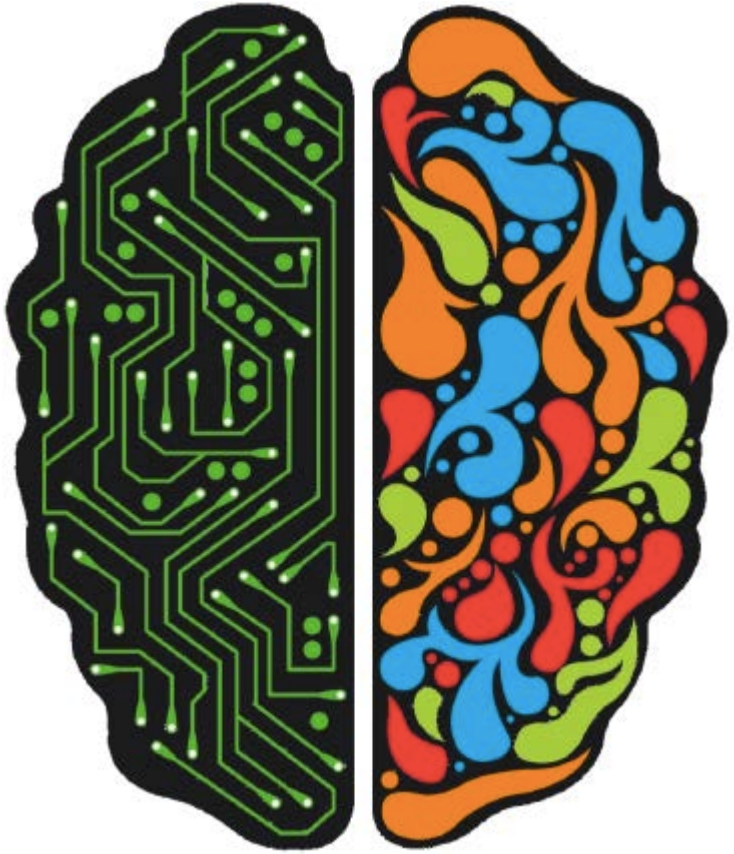
Andy Reed, PhD
Vice President of Behavioral Economics, Fidelity Investments
Andy Reed leads behavioral research to help people make better decisions about their wealth, health, and well-being. Before joining Fidelity in 2016, Andy was an Associate Research Scientist in Public Health at Columbia University. He earned his Ph.D. in Developmental Psychology from Cornell University and completed a post-doctoral fellowship at Stanford University. His research on emotion and decision making across the adult life span has been published in leading academic journals and presented at national conferences.

Leanna Devinney, CFP®
Assistant Branch Manager, Fidelity Investments
Leanna Devinney is responsible for leading one of Fidelity's Investor Centers. In this role, she offers our clients financial and investment guidance, including one-on-one retirement planning, wealth management, income strategies, and college planning services, as well as integrated employer benefit solutions.

Two Mental Systems Guide Our Decisions

Rational

Controlled. Slow. Effortful.

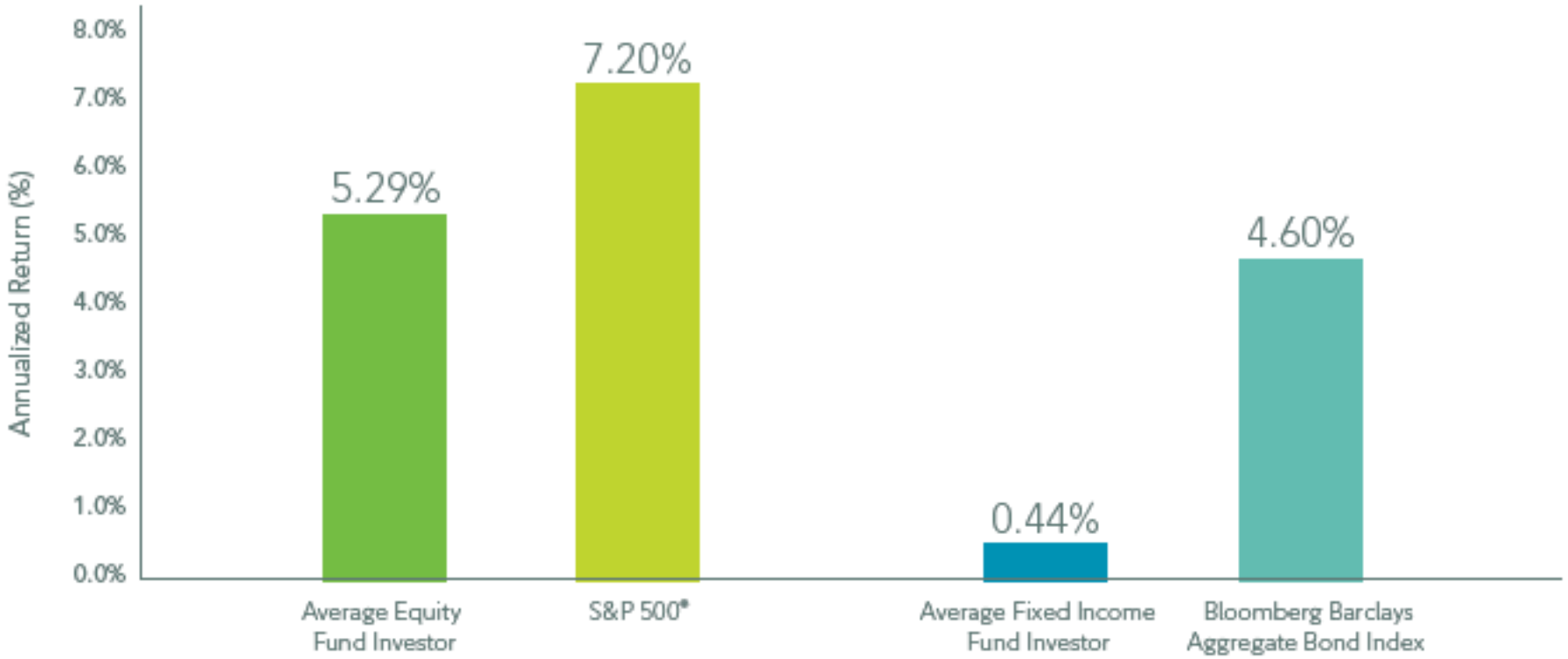


Emotional

Automatic. Fast. Effortless.

Emotions Can Impact Your Investment Decisions

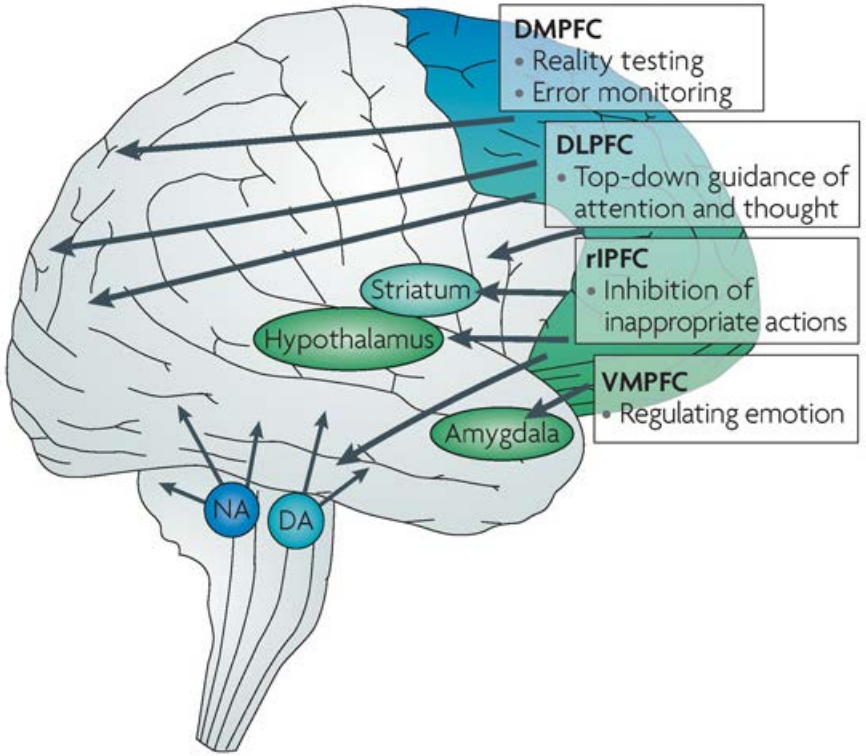
January 1, 1998–December 31, 2017



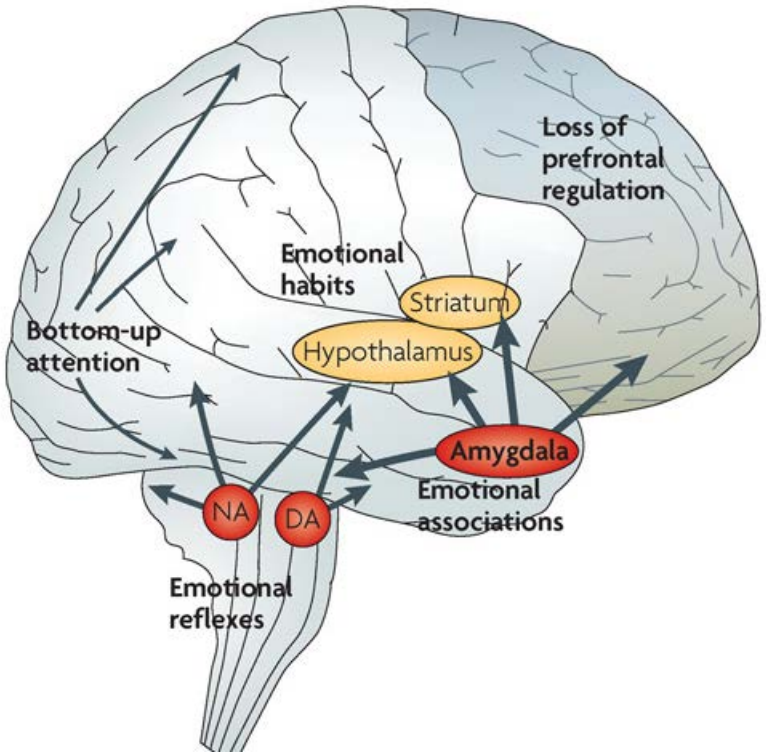
Past performance is no guarantee of future results.
Source: "Quantitative Analysis of Investor Behavior, 2018," DALBAR, Inc., www.dalbar.com. QAIB uses data from the Investment Company Institute (ICI), Standard & Poor's, Bloomberg Barclays indexes, and proprietary sources to compare mutual fund investor returns with an appropriate set of benchmarks. Covering the period from January 1, 1988, to December 31, 2017, the study uses mutual fund sales, redemptions, and exchanges each month as the measure of investor behavior. These behaviors reflect the "average investor." Based on this behavior, the analysis calculates the "average investor return" for various periods. These results are then compared with the returns of respective indexes. QAIB calculates investor returns as the change in assets, after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs. After calculating investor returns in dollar terms, two percentages are calculated: total investor return rate for the period and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net assets, sales, redemptions, and exchanges for the period. Annualized return rate is calculated as the uniform rate that can be compounded annually for the period under consideration to produce the investor return dollars. Your own account may earn more or less than this example. Investing involves risk including the risk of loss. It is not possible to invest directly in an index.

Investing and Staying Invested through Market Volatility

This is your brain...

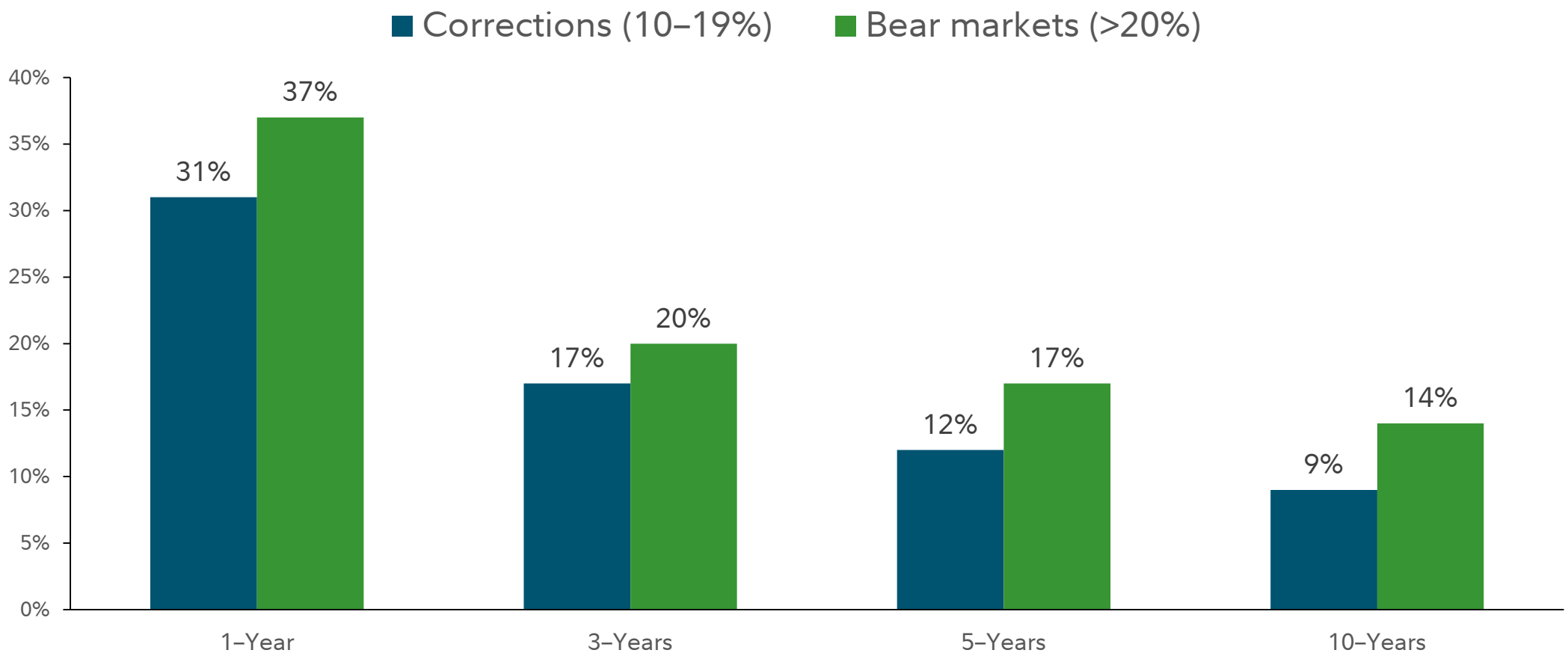


This is your brain on stress



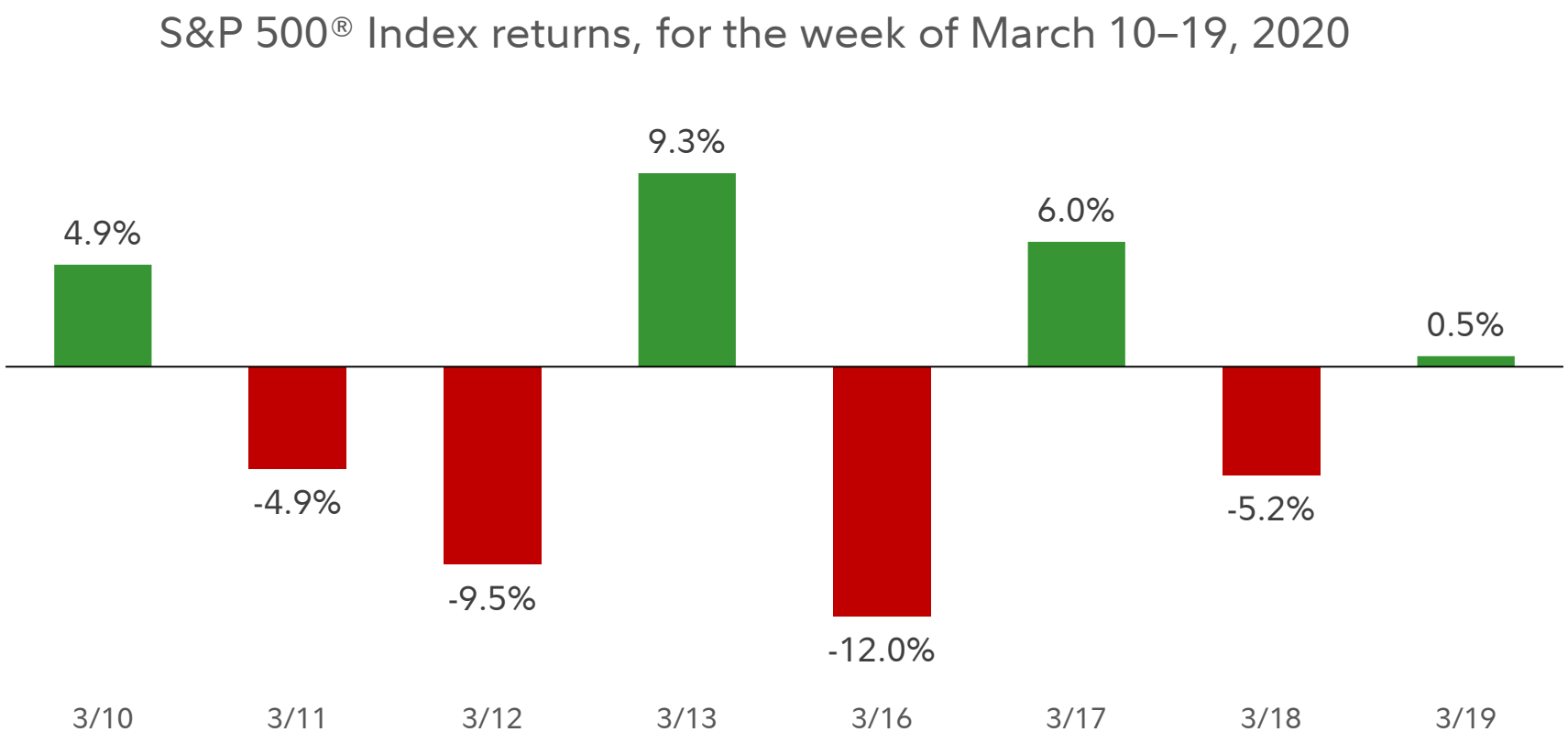
Arnsten, A. F. (2009). Stress signaling pathways that impair prefrontal cortex structure and function. *Nature Reviews Neuroscience*, *10*(6), 410-422.

Median Returns Following Large Stock Market Selloffs (1950–2010)



The chart above shows the median of the total market return based on daily market returns for the S&P 500 for the time period following the market low after each correction and bear market from 1950 to 2010. Source: Fidelity Asset Allocation Research.

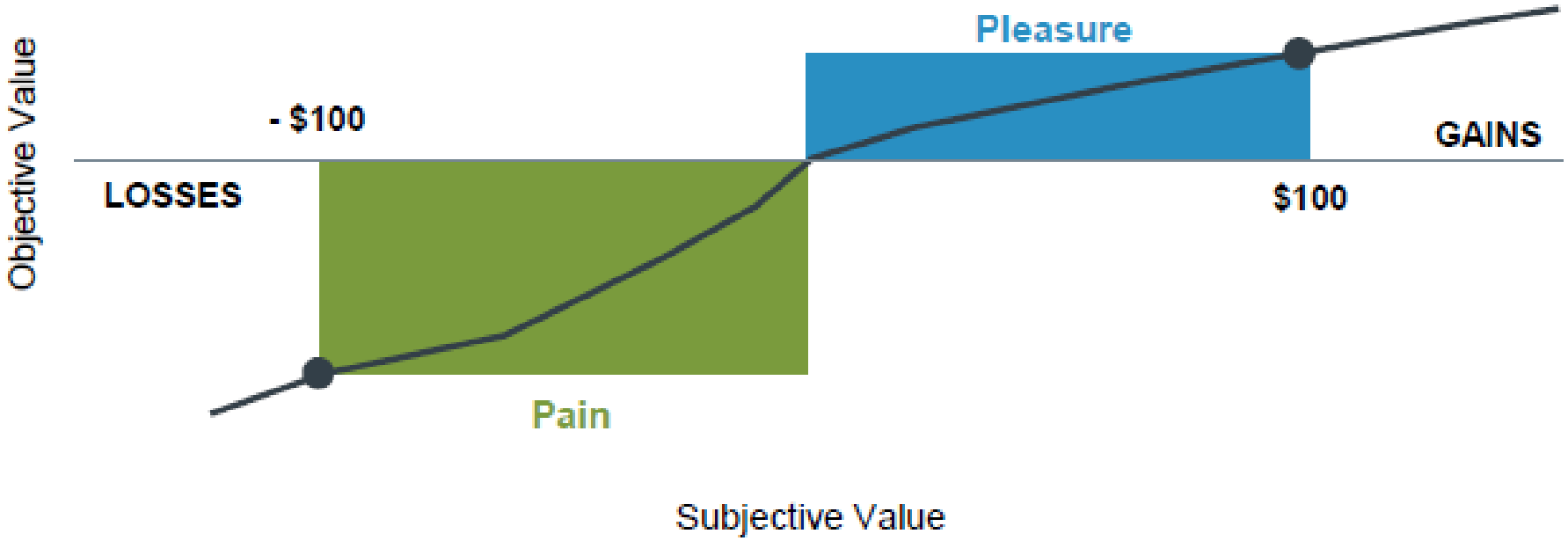
Losses Loom Larger than Gains



Past performance is no guarantee of future results. It is not possible to invest directly in an index.
S&P Dow Jones Indices LLC, S&P 500 [SP500], retrieved from FRED, Federal Reserve Bank of St. Louis; 5/1/2020.

Myopic Loss Aversion

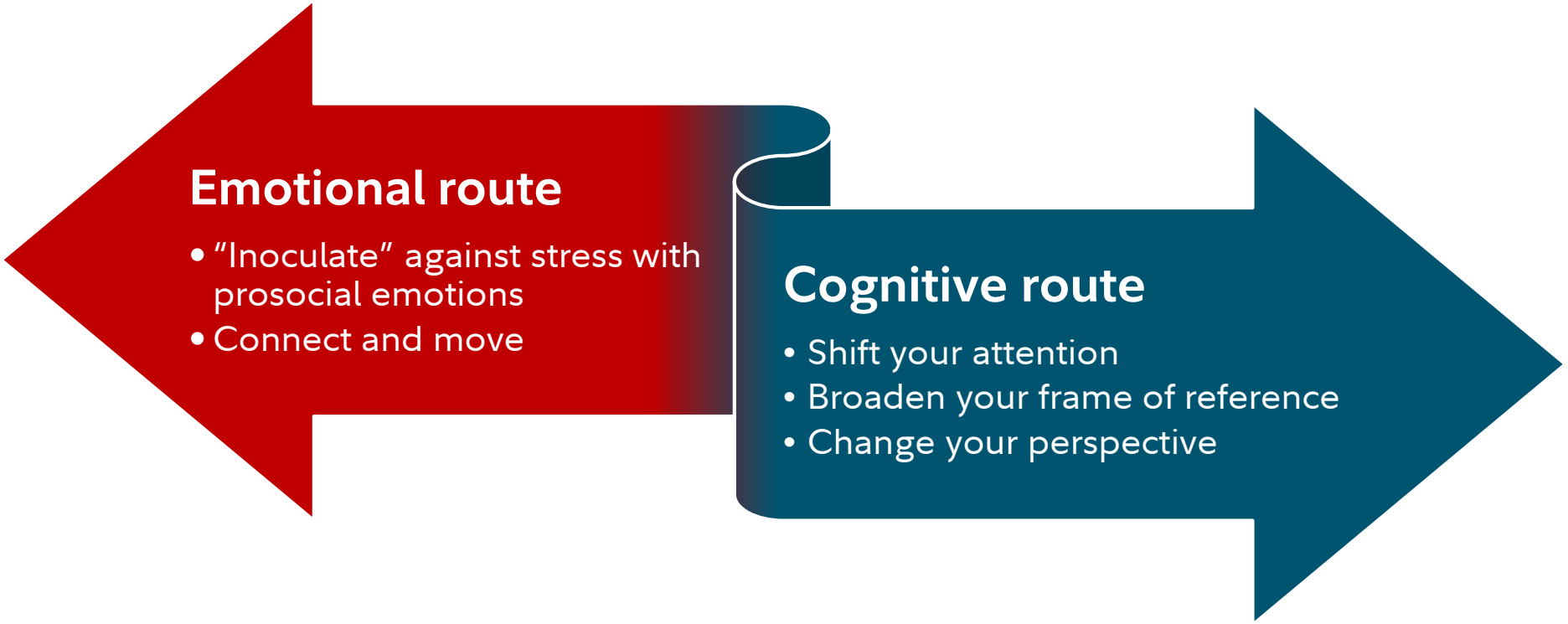
Losing $100 hurts twice as much as the feeling you'd experience by gaining $100.



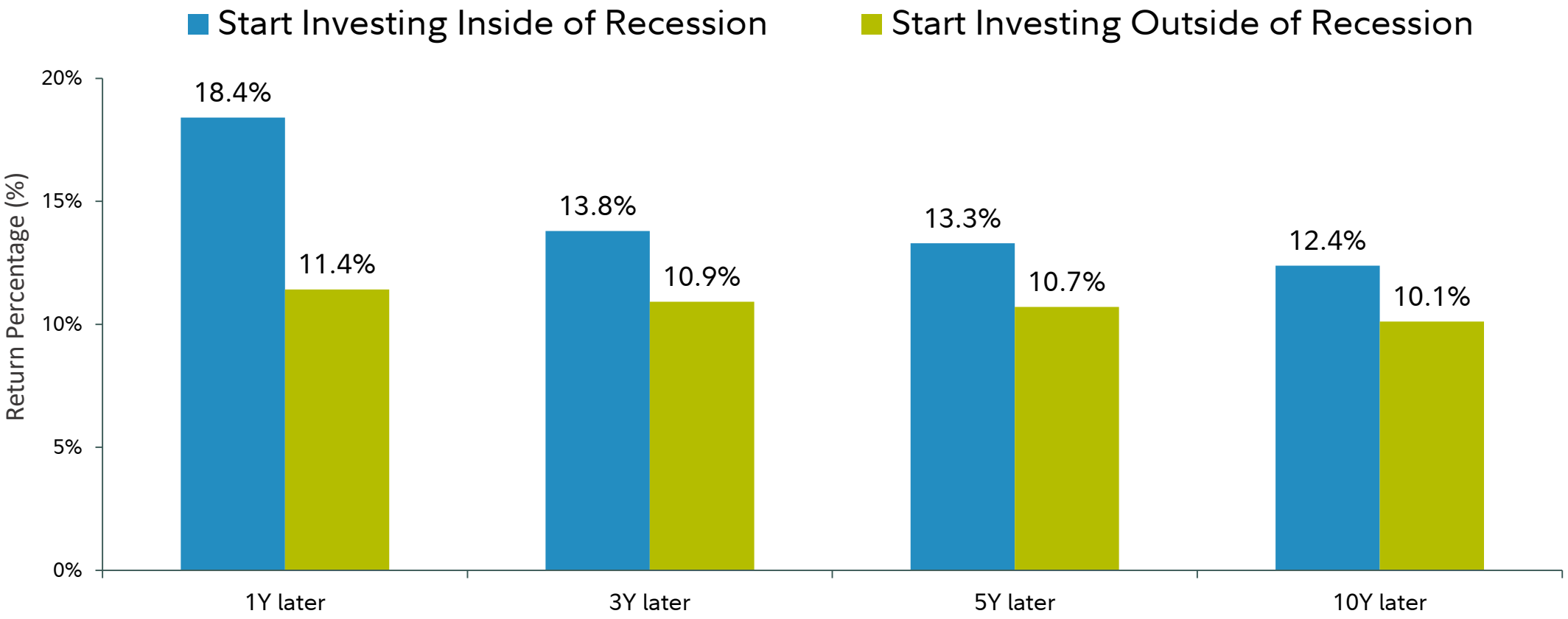
Studies showed that people chose to take a risk **only when the potential gain is 2x greater than the expected loss.**

Example is based on an experiment by Kahneman, Tversky, 1992.

Two Strategies: Change your mood or change your mind



Investors Have Historically Seen Strong Gains Starting in Recessions



For illustrative purposes only. Recession dates are from the National Bureau of Economic Research (NBER). Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. S&P 500® Index index monthly total returns from 12/31/49 to 12/31/19. Source: Bloomberg Finance, L.P.

Satisfy Need for Action with “Healthy Steps”

Worried about…

- Income/job security
- Family health
- Investment performance

Eat this…

- Emergency savings
- Estate plan
- Financial plan

Don’t eat this…

- Economic news
- COVID-19 stats
- Check portfolio

Taking Control

Make/update your plan:

- Retirement planning
- College planning
- Volatility stress-testing
- Withdrawal strategies
- Charitable giving
- Estate planning
- Tax-efficient investing

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Past performance is no guarantee of future results.

Diversification does not ensure or guarantee against loss.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, economic, or other developments. These risks may be magnified in foreign markets.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk. Nothing in this content should be considered to be legal or tax advice, and you are encouraged to consult your own lawyer, accountant, or other advisor before making any financial decision.

The S&P 500® Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based, market value–weighted benchmark that measures the performance of the investment grade, U.S. dollar–denominated, fixed-rate taxable bond market. Sectors in the index include Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

Dollar cost averaging does not assure a profit or protect against loss in declining markets. For the strategy to be effective, you must continue to purchase shares in both market ups and downs.

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